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ABSTRACT

In 1986, of 32 million Americans who were poor, nearly ten million, or 30%, lived in nonmetropolitan or rural areas containing only 22% of the nation's population. While metropolitan poverty rates have declined somewhat since 1983 as a result of economic recovery, nonmetropolitan poverty rates have remained relatively high. Rural poverty is not to be confused with farm poverty. Only 8.5% of the rural poor in 1986 were farm residents. The rural poor differ from the urban poor in that the rural poor are more likely to be elderly, white, and living in the South. A significant share of the rural poor work and 51% live in families with both parents present. Many rural communities suffer from chronic economic depression, and existing poverty programs and policies appear to have benefitted the rural poor less than the urban poor. A comprehensive, multidimensional policy is required to deal with the special characteristics of the rural poor. Three policy options are: (1) adjust current antipoverty programs to deal with the special characteristics of the rural poor; (2) target rural programs to focus on the specific needs and problems of chronically depressed rural areas and recognize the differing circumstances of the rural and urban poor; and (3) address poverty in a comprehensive development policy. (ALL)

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# RURAL POVERTY POLICY

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Paper presented at the Rural Development Policy Options Workshop: Critical Issues and Options in Developing a New Rural Policy for the Nation

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# RURAL POVERTY POLICY[1]

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Poverty has become a growing economic, social and political concern in the United States. Over twenty years ago the nation launched a full-scale effort to address the problems of poverty in this country. The success of these programs, however, has been mixed. In fact, some critics argue that the social programs of the past decades are themselves a cause of poverty or its perpetuation. They maintain that instead of alleviating the poverty problem, social programs in general and welfare programs in particular have contributed to the perpetuation of poverty by fostering work disincentives and family instability.

When the public thinks of poverty programs, they usually think of government transfer and income security programs, especially the various welfare programs such as food stamps, medicaid and Aid to Families with Dependent Children (AFDC). Most cannot deny that such programs are important because they provide a measure of relief to those living in poverty. Still, they do little to attack the root causes of poverty, including the lack of adequate education and employment opportunity.

Welfare reform bills recently passed by both houses of the 100th Congress point to possible, substantial changes in welfare policy. The underlying goals of both bills are to encourage AFDC recipients to work, to improve their chances for employability through education and training, and, at the same time, to help needy children without weakening parental responsibilities. At this writing, the differences between the House and Senate bills are undergoing reconciliation, and the long range outcomes are unknown.

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[1] This paper is based, in part, on an overview to rural poverty and policy presented by Kenneth L. Deavers, Robert A. Hoppe, and Peggy J. Ross in a forthcoming book chapter, "The Rural Poor: Policy Issues for the 1990's."

This paper focuses on some of the main issues of poverty affecting rural Americans and the communities where they live. It also suggests policies and programs which could help to ameliorate rural poverty.

## HISTORY OF CONCERN OVER RURAL POVERTY

Rural poverty as an issue separate from the general poverty problem first emerged into the national spotlight with the publication of the President's National Advisory Commission on Rural Poverty report which said, in part:

> Rural poverty is so widespread, and so acute, as to be a national disgrace . . . . This Nation has been largely oblivious to . . . 14 million impoverished people left behind in rural America. Our programs for rural America are woefully out of date. (*The People Left Behind*, 1967, p.xi)

Most Americans today perceive poverty in the United States as primarily an urban problem. Certainly, inner city poverty with its slums and street people are more visible. But, for as long as we have gathered poverty statistics, a disproportionate share of our poor have lived in rural areas. Of 32 million Americans who were poor in 1986, nearly 10 million -- 30 percent -- lived in nonmetropolitan (rural) areas that contained only 22 percent of the nation's population.

Although relative income disparities between rural (nonmetropolitan) and urban (metropolitan) America improved substantially and the incidence of poverty declined between 1950 and 1979, poverty rates increased sharply beginning in 1980 in both metro and nonmetro America (Figure 1). Factors contributing to the rise in poverty included the following: (1) the inflation of the late 1970s and early 1980s, (2) the economic downturn of 1980 - 1982, and (3) the tightening of eligibility requirements for some government programs that removed people from welfare rolls. But while metro poverty rates have declined somewhat since 1983 as a result of economic recovery, nonmetro poverty rates have remained relatively high.[2] In 1986, the poverty rate of the rural population was 18 percent -- nearly identical

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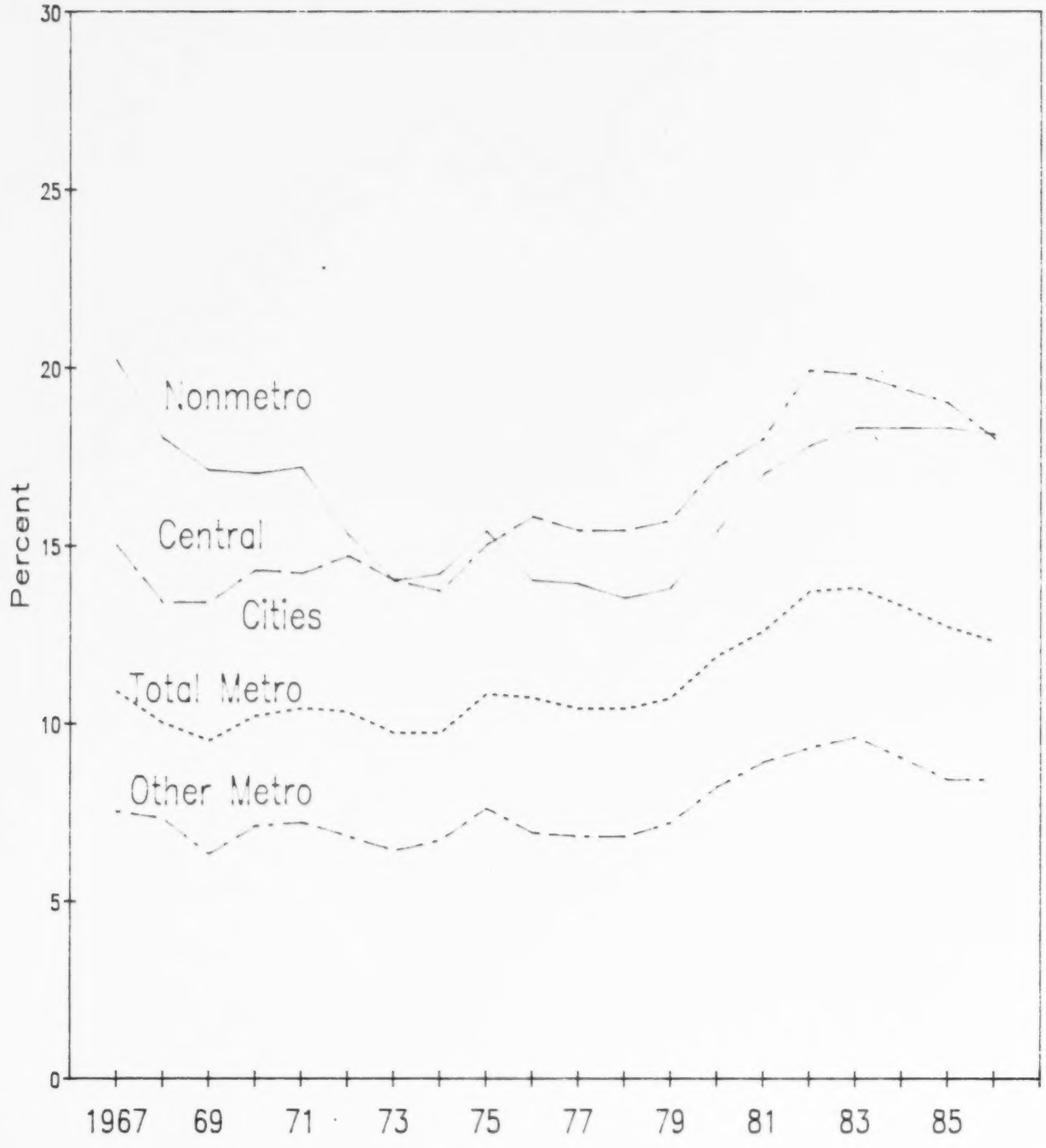
[2] Due to a 1984 change in Census Bureau definitions of metro and nonmetro areas, 20 million nonmetro residents were redefined as metro. Thus, comparisons of data before and after this date are not strictly valid.

# Fig. 1--Poverty rates by residence (1967-86)




Source: Census Bureau, '69, '71, '73, '75, '78, '80, '82b, '85, '87b, '88a.

to that in the nation's central cities -- compared with 12 percent for the urban population.

## COMPOSITION AND CHARACTERISTICS OF THE RURAL POOR

The rural poor differ from the urban poor in a number of ways. Rural poor are more likely to be elderly, white and living in the South. While the elderly still make up a larger share of the poor in nonmetro areas (14 percent versus 10 percent in metro areas), poverty rates among rural elderly have declined sharply since the early 1970s. This is due primarily to federal programs targeted to the elderly. The current poverty rate for the rural elderly is about the same as the overall rural poverty rate (18 percent) but still higher than the 13 percent of urban elderly who were poor in 1986.

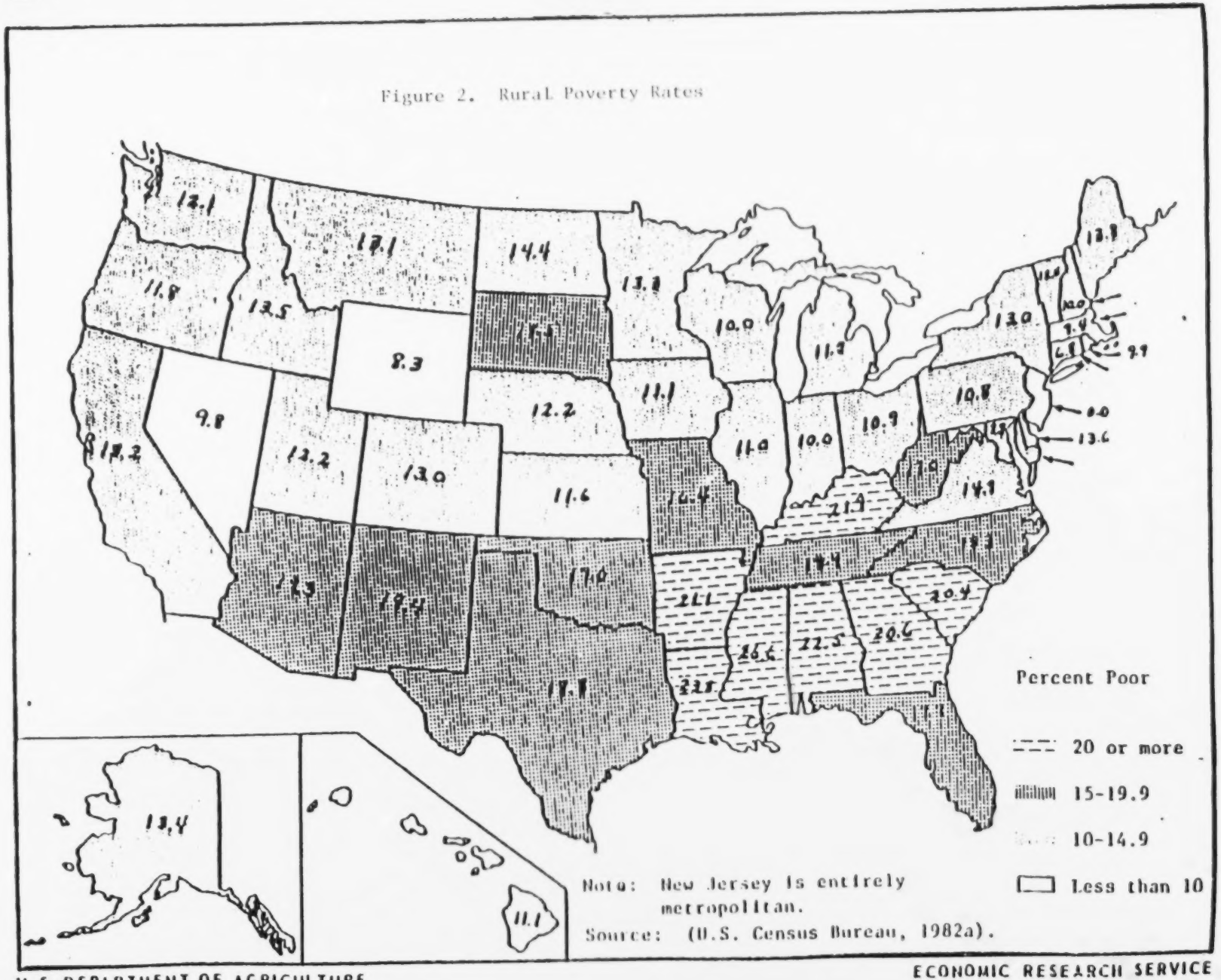
The majority of the rural poor are white, primarily because they make up the majority of the total rural population. Even in the South, where most nonmetro blacks live, about 60 percent of the rural poor were white in 1986. Overall, more than three-fourths of the nonmetro poor were white in that year.

Rural poverty is heavily concentrated in the South (Figure 2). In 1986, the rural poverty rate in that region was 22 percent compared with 15 percent for the rest of the country. Over half of the nonmetro poor lived in the South but, this share, which represents an improvement over a decade earlier, may reflect a relative deterioration of economic conditions in the North and West rather than improving conditions in the South.

Another major difference between the poor in rural and urban areas is the rural poor's strong attachment to the labor force. A significant share of the rural poor work. Over two-thirds of nonmetro poor families had at least one worker in 1986, and over a quarter had two or more workers. In comparison, 56 percent of poor metro families had at least one worker. Furthermore, almost half of the rural poor family heads who do not work are ill, disabled or elderly.

Urban poor (40 percent in 1986) are more likely to live in families headed by a female with no husband present than are the rural poor (29 percent). On the other hand, 51 percent

Figure 2. Rural Poverty Rates

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of rural poor people lived in families with both parents present in 1986, compared with only 35 percent of urban poor people.

Children, who made up nearly 40 percent of the poor in both metro and nonmetro areas in 1986, have become the nation's poorest age group. For every elderly poor adult, at least three children were poor. Furthermore, over 50 percent of urban children and over 60 percent of rural children who lived in families headed by single females were poor.

For individuals, poverty may either be a transitory or temporary problem, or it may be persistent, lasting many years. Because the share of their population that is poor is larger, nonmetro areas had greater shares of both persistent and temporary poor among their population than that found in metro areas. But the share of the poor who are persistently poor is about the same in both metro and nonmetro areas. Over a five-year period from 1978-1982, slightly under 4 of every 10 poor in both metro and nonmetro areas were classified in the persistent poor category.

## NONMETRO PERSISTENT LOW-INCOME COUNTIES

Rural poverty may also be viewed from a geographic perspective. Of 2,443 nonmetro counties in the United States, 242 have been classified as persistent low-income counties[3] by the U.S. Department of Agriculture. These counties are heavily concentrated in the South (Figure 3).

The persistently poor counties have fewer people and are less urbanized than other nonmetro counties. In addition, they contain disproportionately higher numbers of people with disadvantages affecting their productive labor force participation. On average, 42 percent of adult residents living in persistent poverty counties had completed high school in 1980 compared with 58 percent for all nonmetro counties. The poverty counties also had

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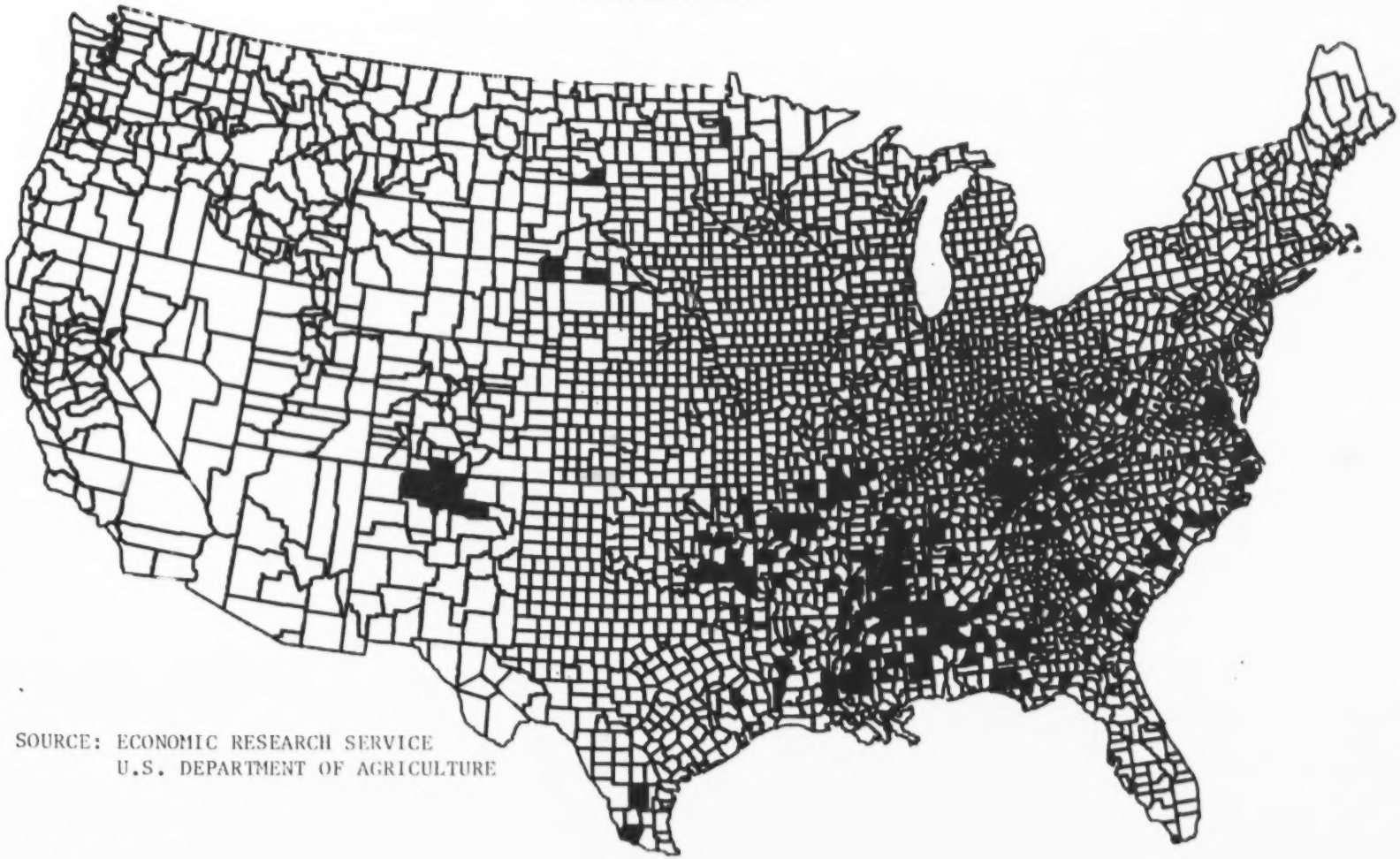
[3] These counties ranked in the lowest one-fifth of all rural counties in per capita income in 1950, 1959, 1969, and 1979. An update of the persistent poverty counties between 1979 and 1984 showed that 36 counties had shed their persistent low-income status, thereby reducing the number of counties from 242 to 206.

Figure 3.

# PERSISTENT POVERTY COUNTIES

## NONMETRO U.S.



SOURCE: ECONOMIC RESEARCH SERVICE
U.S. DEPARTMENT OF AGRICULTURE

significantly higher proportions of blacks, female-headed households and disabled populations than the other nonmetro counties. These persistently poor counties averaged 28 (all persons), 30 (blacks), and 20 percent (whites) as compared to 17 (all), 20 (blacks), and 14 percent (whites) for all rural counties.

The industrial structure of the persistently poor counties was similar to that of all nonmetro counties. For example, differences in average income from farming and mining between the poverty counties and all rural counties were negligible. Incomes from manufacturing and services differed only slightly between the two groups of counties. Either the productivity of the economic base of poverty counties is extremely low or the income from economic activities is very unevenly distributed among those who live there.

## JUSTIFICATION FOR FEDERAL ROLE

The consequences (costs) of poverty are not only of major significance to those individuals and families who are poor, but also to the community in which they live and to society as a whole because of economic and social products and services forgone. The rationale for public policy concern has its basis in equity and social justice considerations as well as economic grounds. Most of the current programs generally considered by the public as poverty programs are aimed at treating the symptoms of poverty or at improving the living conditions of the poor.

Partly because of the difficulty in measuring output foregone, a policy relationship has not been developed between poverty policy and education, job training, health and health care improvement, and child care programs. But these programs, if they are successful in making the poor more productive, may actually cost less over time than the output lost in the absence of such programs. And if these programs are successful, they would also eventually reduce the cost of the poverty-symptom programs mentioned above.

The result is that poverty programs have perhaps the broadest base of justification for federal involvement of any rural programs, including the following:

- The removal of chronic social and economic inequities that affect rural poor people and communities.
- The potential to increase the effectiveness and efficiency with which programs are administered by treating problems rather than symptoms.
- The need to coordinate many programs across agencies and levels of government.
- The need to distribute the costs and benefits of programs equitably.
- The need to recognize the revenue raising ability of the Federal government in dealing with complex problems.
- The ability to contribute materially to the productivity and competitiveness of rural America.

## POLICY IMPLICATIONS OF RURAL POVERTY

Two decades after publication of *The People Left Behind*, rural poverty remains a serious problem in Rural America, and many rural communities continue to suffer from chronic economic depression. This has led some to charge that poverty policy and programs have been largely tailored to meet the needs and circumstances of the urban poor and the cities and urban neighborhoods where they live because of their greater visibility and ability to mobilize organizational and political support. For whatever reasons, the rural poor and the communities where they live do appear to be underserved by a number of current public services and programs.

Given the composition and characteristics of the rural poor, it seems clear that a comprehensive, multidimensional policy is required. A number of policy implications can be identified.

- Rural poverty must not be erroneously equated with farm poverty. Only 8.5 percent of the rural poor in 1986 were farm residents. While agriculture continues to be important in many nonmetro areas, both as a direct source of income and because some of the nonfarm employment is agriculturally related, farm policy cannot be expected to effectively address the rural poverty question.

- A comprehensive national poverty policy beneficial to rural areas would include roles for federal, state and local governments. Many of the areas where sizable numbers of the rural poor live are isolated and lack basic human and community facilities needed to support minimally adequate service delivery systems. Where rural poverty is most concentrated and persistent, even states may be hard-pressed to administer and fund programs to help their poor. At the same time, the diversity of rural areas and rural conditions makes it virtually impossible to tailor federally directed rural programs to meet unique local needs. State and local governments may be able to more effectively and efficiently design programs for specific localities.
- Because of the attachment of the nonmetro poor to the labor market, issues such as minimum wage, job training, income tax policy, disappearance of low-wage jobs, and employment opportunities are important in any discussion of rural poverty. At the same time, labor market strategies cannot be expected to reach the large numbers of nonmetro poor who cannot be expected to work: the elderly, the ill, the disabled. Furthermore, labor market strategies may also have only an indirect effect on rural poor children.
- Aid to Families With Dependent Children (AFDC) has generally been less effective in nonmetro than in metro areas for two primary reasons: First, a large number of the nonmetro poor live in states that have low AFDC benefits. Second, a smaller proportion of nonmetro poor children live in female-headed families, the main target group of the AFDC program. In addition, the rural poor who are much more prone to live in intact two-parent families, often live in the states that have not, as yet, extended AFDC benefits to two-parent families where the primary breadwinner is unemployed.

## PUBLIC POLICY OPTIONS TO ADDRESS RURAL POVERTY

Three main policy thrusts are available to deal with the problem condition:

- Fine tune the current antipoverty programs.
- Target programs to address the unique characteristics of rural poverty.
- Incorporate a rural poverty policy into a comprehensive national rural development policy.

### Continue Current Programs

Public programs which alleviate the personal costs of poverty such as Medicaid, low-income housing, the various nutrition programs, AFDC, and Supplemental Security Income would continue. Adjustments in these programs, which appear to have strong current support, would be permitted. An example is the unemployed-parent amendment to AFDC. Programs which address the societal cost of output foregone such as the Job Training Partnership Act (JTPA) program, education programs, economic development assistance, and small business assistance would also continue.

Although the rural poor are generally perceived as having less access to public assistance services and programs than the urban poor, they have clearly benefited to some degree from existing programs. Transfer payments to all rural areas for social security, medicare and other social programs have increased significantly over the past four decades. Transfer payments provide a larger share of personal income in rural than urban areas, although social security and other retirement-related programs account for over half of nonmetro transfer payments. Particularly since nationalization of the Supplemental Security Income (SSI) program in the early 1970s, transfer payments have been particularly helpful in reducing the poverty rate of the elderly in rural areas.

If present attempts in the 100th Congress to make major reforms in welfare policy are successful, all states would be required to provide AFDC payments to two-parent families in which the principal wage-earner is unemployed, assuming the other eligibility requirements are met. Because rural poor families are more likely to have both parents present and

because they are relatively over-represented in states that do not currently offer this benefit, the rural poor should benefit. The full extent to which the rural poor would benefit from the work, education, and training components of pending welfare reform legislation cannot yet be determined. Similarly, the capacity of states with significantly high shares of rural populations to effectively implement reform proposals is unknown, although the role of states in adapting such programs to unique needs may be an important consideration. Undoubtedly, rural areas do have special problems of spatial dispersion, transportation and service delivery. The present reform proposals lack specific mechanisms for addressing the special conditions that sometimes serve as barriers to full participation in poverty programs by the rural poor, although some of these barriers may be gradually removed on a program-by-program basis.

In spite of its current appeal, welfare reform is not a cure-all to the problems of poverty -- albeit rural or urban. Welfare reform action will reach only a segment of the nation's poor. By one account, only about 25 percent of urban and 20 percent of rural working-age poor adults received public assistance in 1986.

Finally, the poverty rate is strongly related to general economic conditions. It can be argued that the 1980s increase in rural poverty rates is related to the depressed farm and manufacturing economies. Although it has lagged recovery in the general economy, the farm economy is nevertheless improving.[4] Low-wage manufacturing industries that are found in many rural areas, particularly in the South, are also slowly recovering. Therefore, rural poverty rates can be expected to improve as well.

Improved coordination of local, state and regional rural development programs by both state and federal agencies could greatly increase the effectiveness of existing education,

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[4] Newly released data for 1987 show a moderate decrease in the poverty rate for nonmetro residents but a dramatic decline in the poverty rate among farm residents -- from the 1986 rate of 19.6 percent to 12.6 in 1987. These changes are due, in part, to economic improvements in the farm sector, record federal payments to farmers, and growth in family income. However, the Census Bureau cautions that the unprecedented magnitude of the decline is likely due also to "measurement deviation."

job development and job training programs. This probably could be accomplished within existing institutions and budgets.

A major weakness in this option is that it does not focus on the primary problems of chronically depressed rural communities, such as the more than 200 persistently low-income counties identified previously. Existing rural development programs over the past three decades have not been enough to move these persistently low-income counties into the mainstream of American life and cannot be expected to do so now.

**Target Rural Programs**

Programs would be targeted in two directions:

- One set of programs would focus directly on the specific needs and problems of chronically depressed rural communities, such as the persistent poverty counties.[5] This set of programs would carry a long-term commitment to sufficient funding over a sufficient period of time to adequately address those characteristics of the poor which limit work-force participation and income levels and to generate sufficient economic and community resources enabling these people and communities to overcome their persistent poverty status.
- Present poverty programs would be adjusted to overcome current barriers to their full availability to many of the rural poor. To achieve standard public policy goals of equity and fairness, poverty programs must recognize the differing circumstances of the rural and urban poor.

The rural poor must frequently travel long distances to secure medical services or to even shop for food or to secure basic education services. The cost of transportation is substantially higher, both because of distance and because public transportation is

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[5] Recent research suggests that new pockets of poverty may be springing up, and that a new group of rural poor include better educated people in their prime earning years who have been displaced by structural economic problems.

generally inadequate, at best, and nonexistent at worst. The general absence of child care facilities in rural areas combined with the transportation and distance factors keep many mothers from working and contributing to family income.

Poverty programs should yield the same net benefits to the poor, regardless of place of residence. Equity and fairness arguments can be made that poverty program benefits to persons in rural areas should reflect the higher costs of social and economic services and other unique conditions of low-income rural areas.

On the other hand, the argument can be made and often is, that the rural poor have indicated by their choice of residence the value they place on living in a rural area. The lower rates of social program participation by rural poor are often attributed to a stronger adherence to the work ethic and other traditional values than to the lack of "fit" of existing poverty programs.

Another frequently heard claim is that the overall cost of living is lower in rural areas than in urban areas. However, data are limited to either support or to refute this claim.

A more pragmatic argument against special targeting of programs, particularly a specific program to address the needs of chronically depressed communities, has to do with the budgetary costs of such programs. Those states with the greatest concentrations of persistently poor counties are generally the poorest in terms of funding capacity. Thus, major funding would have to come from federal sources, a major barrier given current national concern over the federal deficit.

**Address Poverty in a Comprehensive Development Policy**

Development of human resources is an important policy goal and an essential part of any comprehensive national rural development policy. Rural counties with disproportionate numbers of persons below the poverty level will not benefit from programs to stimulate economic growth and development unless there is concomitant investment in comprehensive human development programs for those individuals who are hampered from productive work

because of lack of education and job skills.

On the other hand, the poor may either remain unemployed or have to move after receiving training if there are no jobs available locally. Experience with programs funded by the Job Training Partnership Act (JTPA) has shown that many who receive publicly funded job training frequently cannot find employment where they live. This simply reinforces the need for both job creation and job training.

Labor market strategies alone, however, are not sufficient to solve rural poverty problems. Since almost half the rural poor family heads who do not work are ill, disabled or aged, an effective comprehensive development policy must also include programs to transfer sufficient income to those who cannot function in the work force.

A farm policy that adequately addresses the special needs and circumstances of noncommercial or small farmers is also an essential part of a comprehensive rural development policy. Educational and service programs to develop and/or improve management, marketing and entrepreneurship skills combined with research on crops and enterprise combinations especially adapted to small or part-time farming has the potential to raise incomes for persons below the poverty level. Revisions in farm policies to address the needs of poverty level farmers is justified on equity grounds and may also be more consistent with socially desirable long-term natural resource policies.

Likewise, inclusion of poverty policies in a comprehensive rural development policy is justified on both equity, efficiency and social justice grounds.

## CONCLUDING COMMENTS

The amelioration of poverty, regardless of where the poor live, is generally recognized as a worthy policy goal. Notwithstanding the policy option chosen to address the rural poverty problem, the stage can be set to make programs more effective simply by correcting false perceptions about poverty with accurate portrayals of the poor: disproportionate numbers live in rural areas, many of them work, the majority do not receive welfare, most of them are not minorities, a relative few of the rural poor live on farms, and special

circumstances of the rural poor sometimes prevent their full participation in existing programs.

Moreover, the need for flexibility and intergovernmental cooperation should be obvious, regardless of policy option. Diversity of rural areas and rural conditions makes it virtually impossible to tailor federal poverty programs to meet unique local needs. State and local governments must be heavily involved with the federal government in designing as well as administering rural poverty programs, particularly if the needs of chronic rural poverty are to be met.